

Message Text

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ACTION EUR-12

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TO AMEMBASSY OTTAWA

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E.O. 11652: N/A

TAGS: EMIN, EINV, CA

SUBJ: LAWSUIT BY SASKATCHEWAN GOVERNMENT AGAINST POTASH
COMPANIES DISMISSED

1. FOLLOWING NEWS ITEM REPORTED BY AP JULY 27, 1976:

"REGINA -AP- A MOVE BY THE SASKATCHEWAN GOVERNMENT TO STOP
A LAWSUIT AGAINST IT BY TEN POTASH COMPANIES WAS DISMISSED BY
CHIEF JUSTICE R.H. BENEC.

"THE JUDGE SAID THE PROBLEMS INVOLVED IN THE CASE ARE TOO
COMPLEX TO BE DECIDED ON AN INTERLOCUTORY APPLICATION LIKE
THE ONE PRESENTED BY THE GOVERNMENT.

"THE APPLICATION ARGUED THAT THE TEN POTASH COMPANIES
INVOLVED IN THE LAWSUIT HAD NOT SET OUT A CAUSE FOR THEIR
ACTION THAT THE ACTION IS FRIVOLOUS AND VEXATIOUS AND THAT
THE ACTION IS AN ABUSE OF THE COURT PROCESS.

"THE REJECTED APPLICATION ASKED THAT THE POTASH CASE BE
DISMISSED ON THOSE GROUNDS.

"THE COMPANIES ARE CONTENDING THAT THE 1972 POTASH PRORA-
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TIONING FEE AND THE 1974 POTASH RESERVES TAX ARE

BREACHES OF AGREEMENTS IN WHICH THE PROVINIAL GOVERNMENT ALLEGEDLY AGREED TO MAINTAIN ROYALTIES AT 1960 RATES UNTIL 1981".

2. SUBSTANCE OF NEWS ITEM WAS DISCUSSED WITH MEMBER OF SASKATCHEQAN POTASH SECRETARIAT BY PHONE ON JULY 29.

3. THE PROCEEDING MUST NOW BE DECIDED IN THE COURTS WHICH MAY TAKE PLACE IN THE FALL BARRING FURTHER INTERLOCUTORY MOTIONS BY THE GOC.

4. THE SECRETARIAT OFFICIAL WOULD OFFER NO OTHER COMMENTS ON THE SUBSTANCE OF NEWS REPORT BUT DID INDICATE THAT NEGOTIATIONS WITH DUVAL HAVE REACHED AN "ADVANCED STAGE". HE HAD NOTHING FURTHER ON POSSIBLE NEGOTIATIONS WITH OTHER COMPANIES REGARDING ACQUISITION.

5. ITEM WAS ALSO REPORTED IN JULY 27 REGINA-LEADER POST, A COPY OF WHICH WILL BE POUCHED WHEN RECEIVED.
HUTSON

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